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No. 99-1526

IN THE
Supreme Court of the United States

THE UNIVERSITY OF COLORADO FOUNDATION, INC., THE UNIVERSITY OF COLORADO, THE REGENTS OF THE UNIVERSITY OF COLORADO, ROBERT H. ALLEN and PAUL A. SELIGMAN,

Petitioners,

v.

AMERICAN CYANAMID COMPANY,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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COUNTER-STATEMENT OF THE QUESTION PRESENTED

Whether a copyright owner is entitled to profits from an infringer under Section 504(b) of the Copyright Act solely by offering proof of a gross revenue figure associated with the infringer's business, notwithstanding the absence of any causal connection between the copyright infringement and the gross revenue figure?

STATEMENT PURSUANT TO RULE 29.6

Cyanamid hereby states that it is a wholly owned subsidiary of American Home Products Corporation.

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William F. Patry, *Latman's The Copyright Law* 285 (6th ed. 1986) 18

OPINIONS BELOW

In addition to the Opinions reprinted in the Appendix to the Petition for a Writ of Certiorari, reprinted herein at Appendix pages 1a-4a is the Order of Judge John L. Kane, Jr. of the United States District Court of Colorado, dated November 25, 1997, which is an unreported Opinion that denied Petitioners' motion pursuant to Rule 52(b) for an order amending the findings of fact and conclusions of law with respect to copyright infringement damages and unjust enrichment damages.

COUNTER-STATEMENT OF THE CASE

Petitioners The University of Colorado Foundation, Inc., The University of Colorado, The Regents of The University of Colorado, Robert H. Allen and Paul A. Seligman seek review of the Federal Circuit's November 19, 1999 decision affirming the United States District Court of Colorado's denial of their claim for copyright infringement damages from Respondent American Cyanamid Company ("Cyanamid") pursuant to Section 504(b) of the Copyright Act. Petitioners' Appendix (hereinafter "Pet. App.") 1a-19a. The courts below *thrice* considered and *thrice* rejected the Petitioners' attempt to recover over $300 million from Cyanamid based on the net sales of its reformulated Materna® product (a prescription multivitamin–multimineral supplement for pregnant women), finding that the Petitioners failed to establish any causal connection between the alleged copyright infringement and those sales. Petitioners contend that the courts below were wrong, arguing that on its face, Section 504(b) does not require that the copyright owner establish any connection between the infringing act and the infringer's revenue, and that the Federal Circuit, by

improperly allocating this burden to the copyright holder, acted inconsistently with all other circuit courts that have interpreted Section 504(b). Contrary to Petitioners' assertions, there is no dispute among the circuit courts as to whether Section 504(b) requires a connection between the copyright infringement and the evidence of gross revenue. Indeed, that connection exists (whether implicitly or explicitly) in every case cited by Petitioners, rendering the claimed conflict among the circuits illusory.

Although not specifically identified in the Petition, the subject matter for which the Petitioners seek this $300 million recovery is limited to Cyanamid's use in a patent application of four bar graphs and one chart derived from a draft medical article, which was prepared by Petitioners with the assistance of Cyanamid, and was based on reformulation studies sponsored by Cyanamid. Indeed, Petitioners' entire copyright infringement claim is based on a *draft* article prepared in 1981, the copyright registration for which was undertaken by Petitioners' initial litigation counsel in December 1993, after the commencement of this action.[1] Petitioners were unable to register the copyright in the final published article, because in 1982, the authors of the article (which include Petitioners Dr. Robert Allen and Dr. Paul Seligman) expressly assigned the copyright in the final article to the American College of Obstetricians and Gynecologists. That final article, assigned to the American College of Obstetricians and Gynecologists, contains the exact same four bar graphs and chart that Cyanamid allegedly copied from the draft article into its patent application, which is the basis for Petitioners' copyright infringement claim against Cyanamid.

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1. The twelve year delay in registering the copyright in the draft article precludes Petitioners from recovering statutory damages in connection with their copyright claim. 17 U.S.C. § 412.

In the Federal Circuit, Petitioners conceded that "to obtain an award of damages the plaintiff need only carry the 'minimal burden' of proving the infringer's — Cyanamid's — *gross revenue from the infringement.*" Reply Brief of Plaintiffs/Cross-Appellants University of Colorado Foundation, Inc., The University of Colorado, The Regents of the University of Colorado, Robert H. Allen and Paul A. Seligman at p.4 (emphasis added). The Federal Circuit found no error in the district court's finding that Petitioners failed to show that gross revenue from sales of reformulated Materna® were due to Cyanamid's alleged copyright infringement. Petitioners' argument herein that "they had carried their burden [under the Copyright Act] by proving Cyanamid's gross revenues (net sales) from the sales of the reformulated Materna," misses the point, because Petitioners never demonstrated that sales from Materna® resulted from the copyright infringement, nor could they ever do so. Petition at 10. Indeed, Cyanamid introduced evidence through the expert testimony of Mr. Charles Van Horn, formerly a patent examiner with the Patent and Trademark Office, that Cyanamid's use of four bar graphs and a chart in its patent application did not cause the issuance of the patent, much less did the issuance of the patent give Cyanamid the right to sell its product.

Accordingly, the decision of the Federal Circuit on Petitioners' claim for copyright damages does not warrant this Court's review because: (1) there is no conflict of opinion and authority among the circuits; and (2) the decision below was based on a simple failure of proof by these Petitioners on their very fact-specific claim. The Petition for a Writ of Certiorari should therefore be denied.

A. Materna® Reformulation Studies

Since the mid-1970's, respondent Cyanamid has manufactured a prescription multivitamin-multimineral supplement for pregnant women marketed under the trade name Materna 1.60 ("Materna®"). As of 1979, the year Cyanamid's Chief of Nutritional Science, Dr. Leon Ellenbogen, first brought the product to the attention of Dr. Robert Allen (one of the Petitioners), Materna® consisted of a variety of vitamins and minerals, including vitamins A, B1, B2, B6, B12, C, D and E, folic acid, calcium, magnesium, iron, thiamine, iodine, copper and zinc. As to the ingredients relevant to this action, the original Materna® included 60 mg. of elemental iron in the form of ferrous fumarate, 350 mg. of calcium in the form of calcium carbonate and 100 mg. of magnesium in the form of magnesium oxide.

In the late 1970's, Dr. Ellenbogen learned that representatives of Stuart Pharmaceuticals ("Stuart") were claiming that women who ingested Stuartnatal, a competing multimineral iron supplement, absorbed more iron than women who ingested Materna. Although no physicians prescribing Materna® reported any complaints about iron absorption, and Dr. Ellenbogen correctly surmised that Materna® supplied sufficient iron to pregnant women, Dr. Ellenbogen recognized that antacids (such as calcium carbonate and magnesium oxide) have an inhibitory effect on iron absorption. Dr. Ellenbogen, therefore, retained Dr. Robert Allen to conduct a study to compare the iron absorption from Materna® to that from Stuartnatal, which contained calcium sulfate, not calcium carbonate. Dr. Allen erroneously interpreted the results of this study to reflect insufficient iron absorption from both Materna® and Stuartnatal. Although Dr. Allen's conclusion was factually

inaccurate (he did not apply statistics to his data until 1981, at which time he found that Materna® demonstrated a mean iron absorption approximately 300% higher than his initial estimate), Dr. Ellenbogen relied upon Dr. Allen's premature conclusion in allowing the studies to continue.

At the conclusion of the second study utilizing vitamin pills, which occurred in October 1980, Cyanamid decided to market a reformulated Materna® product having 250 mg. of calcium in the form of calcium carbonate (a reduction from 350 mg.) and 25 mg. of magnesium in the form of magnesium oxide (a reduction from 100 mg.). In early 1981, one last study was performed before taking the product to market to confirm the earlier results and compare the iron absorption from the reformulated Materna® against that of its competitors. It was undisputed that Drs. Allen and Seligman were very much involved in the promotion of reformulated Materna, agreeing to serve as pubic spokespersons for the product following Cyanamid's market introduction in October, 1981.

In addition to encouraging Cyanamid to go to market with a reformulated product, it was a major goal of Drs. Allen and Seligman to publish the findings from the Materna® reformulation studies, which goal, as will be discussed below, they accomplished only with Cyanamid's assistance. At trial, the doctors acknowledged that through publication they would gain professional recognition and visibility. Joint Appendix filed in the United States Court of Appeals for the Federal Circuit, Appeal Nos. 97-1468, 98-1113 (hereinafter "Fed. Cir. App.") Vol. II, A4845-46, A5076-79, A5768-69.

In conjunction with the commercial launch of reformulated Materna, Cyanamid prepared a patent application, which was ultimately filed with the United States Patent and Trademark Office ("PTO") on December 21, 1981. On February

14, 1984, U.S. Patent No. 4,431,634, entitled "Prenatal Iron Supplements" was issued, naming Dr. Ellenbogen as sole inventor and Cyanamid as assignee. The issued patent contains claims that require calcium carbonate and magnesium oxide in combination, and include ranges up to 300 mg. and 75 mg., respectively. The Petitioners never filed a patent application on this invention nor did they claim any inventorship rights in Cyanamid's reformulated Materna® until more than a decade after the market introduction of the product.

B. Publication of the Article

While it became clear to Drs. Allen and Seligman immediately after the completion of the study in October of 1980 that Lederle was going to market with a reformulated Materna® product containing 250 mg. of calcium carbonate and 25 mg. of magnesium oxide, they did not begin to prepare a manuscript memorializing the reformulation studies and their results until May or June of 1981. On July 27, 1981, Dr. Allen submitted a draft manuscript entitled "Inadequate Iron Absorption From Many Prenatal Multivitamin-Mineral Supplements" to *The New England Journal of Medicine* ("NEJ"), a copy of which was provided to Dr. Ellenbogen. In addition to Drs. Allen and Seligman, were four other authors listed on the draft NEJ manuscript.[2]

On August 6, 1981, Dr. Allen received a letter from Arnold Relman, editor of NEJ, enclosing comments from NEJ reviewers that criticized, *inter alia*, the authors for reaching a conclusion relevant to pregnant women from studies involving only non-pregnant women. NEJ subsequently rejected the manuscript. While Dr. Allen was waiting to hear from NEJ, by letter dated

2. As noted above, Petitioners' copyright infringement claim is predicated on Cyanamid's use in its patent application of four bar graphs and a chart derived from this draft manuscript.

September 24, 1981, he granted "permission to [Dr. Ellenbogen] and Lederle Laboratories to use and circulate the results of our studies concerning the absorption of iron from prenatal multivitamin-mineral supplements prior to their publication." Trial Exhibit 167, Tr. 356 (5/6/1996).

According to Dr. Allen, a second major problem with the *NEJ* submission was the lack of dissolution data, which he believed should be obtained before resubmitting the manuscript to another journal. In order to assist Drs. Allen and Seligman, Cyanamid not only conducted its own studies to test the dissolution of Materna® and certain other products, it retained Dr. Nicholas Lordi of Rutgers University College of Pharmacy to conduct independent dissolution studies. Those studies were paid for by Cyanamid, and the results were transmitted to Dr. Allen for his use in the article. Furthermore, in response to the criticism from the NEJ staff, Cyanamid paid $25,000 to Dr. Bernard M. Babior of the Tufts University School of Medicine in Boston, Massachusetts to perform iron absorption studies on pregnant women.[3] Dr. Babior's studies were incorporated into the version of the manuscript ultimately published in *Obstetrics and Gynecology*. Again, Cyanamid arranged for and underwrote Dr. Babior's studies solely to assist Drs. Allen and Seligman in publishing the draft article, the publicity for which would benefit both them and Cyanamid.

On December 4, 1981, Dr. Allen submitted the manuscript, to which a short discussion and table reflecting the results of Dr. Lordi's studies had been added, to *Obstetrics and Gynecology*. By letter dated March 30, 1982,

3. Cyanamid had already paid Drs. Allen and Seligman $60,000 to perform the reformulation studies upon which the Article was based. Tr. 407-408 (5/6/1996).

Dr. Seligman received word from *Obstetrics and Gynecology* that the manuscript would be accepted subject to the resolution of certain objections by the reviewers. Fed. Cir. App. Vol. III, A9260-61. A second draft was submitted to *Obstetrics and Gynecology* by Dr. Seligman on June 24, 1982 after Dr. Allen received a preliminary report on the Babior study, which allowed him to respond in the draft to the criticism of the reviewers. In addition to the revised manuscript, enclosed with Dr. Seligman's June 24, 1982 letter was a contractual form, purportedly executed by the six authors named on the manuscript, which assigned the copyright in the manuscript to the journal. Dr. Allen testified that at the time he submitted the manuscript to *Obstetrics and Gynecology* in December of 1981, he was aware of the journal's requirement that "[o]n acceptance of an article by the journal, the author(s) will be asked to transfer copyright of the article to the American College of Obstetricians and Gynecologists." Tr. 506-07 (5/6/1996). The contractual assignment "grant[ed] and transfer[red] all rights, title, and interest thereto, including the right to claim copyright, to The American College of Obstetricians and Gynecologists: agreeing to hold said College harmless from any damages resulting from a breach of the above representations." Fed. Cir. App. Vol. III, A9270. Although having previously published over 40 scholarly articles, Dr. Allen claimed at trial not to have understood the legal implications of the assignment at the time he read and signed it.

The manuscript was ultimately published (in the form in which it was submitted in June of 1982) in the March 1983 edition of *Obstetrics and Gynecology*.

C. Copyright Registration

Four months after the commencement of the instant litigation in 1993, Petitioners' initial litigation counsel filed for the copyright registration on the *draft* manuscript submitted to NEJ in December of 1981 (Manuscript A) and on the second *draft* of the manuscript submitted to *Obstetrics and Gynecology* in June of 1982 (Manuscript B). Both manuscripts were designated by Petitioners' counsel as "works made for hire" belonging to Petitioner The Regents of The University of Colorado, not the individual authors listed on the manuscript.[4]

D. Proceedings Below

On August 4, 1993, Petitioners filed their initial complaint, which alleges five claims for relief (conversion, fraud, wrongful naming of inventor in violation of 35 U.S.C. § 115, misappropriation of business value and unfair competition and patent infringement), but not a claim for copyright infringement. Fed. Cir. App. Vol. I, A1007-8. In December of 1993, Petitioners registered the copyright in the two draft manuscripts as noted above. On or about February 14, 1994, Petitioners filed their First Amended Complaint, asserting for the first time, *inter alia*, a claim for copyright infringement. Fed. Cir. App. Vol. I, A1052-53. In that complaint, Petitioners alleged that Cyanamid's patent application "plagiarized the Article" and "[i]n particular, all the drawings (Figures 1-4) of the patent application were literally traced from major portions of the drawings of the

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4. The evidence at trial demonstrated that publications by University professors were not "works made for hire" under the University policy.

Article, and the extensive Table I of the patent application was literally cut and pasted from major portions of Table I of the Article." Fed. Cir. App. Vol. I, A1048.

1. *Summary Judgment Motions*

By decision dated April 3, 1995, the district court resolved, *inter alia*, the parties' cross-motions for summary judgment on Petitioners' claim for copyright infringement, finding that Cyanamid had infringed Petitioners' copyright on Figures 1-4 and Table 1 from the draft manuscript submitted to NEJ by copying them into the patent application. Pet. App. 117a. Cyanamid argued in its summary judgment papers that Petitioners could not restrict Cyanamid's use of the results from the studies where, *inter alia*, the studies were initiated by Cyanamid, and Dr. Allen had expressly granted permission to Dr. Ellenbogen and Lederle Laboratories "to use and circulate the results of our studies concerning the absorption of iron from prenatal multivitamin-mineral supplements prior to their publication." Trial Exhibit 167, Tr. 356 (5/6/1996). Cyanamid also argued that summary judgment should be granted dismissing Petitioners' copyright claim because the rudimentary bar graphs and table allegedly copied into the patent application from the manuscript submitted to the NEJ did not evidence the requisite level of creativity to constitute copyrightable subject matter. Pet. App. 113a. Both arguments were rejected by the district court, which granted Petitioners summary judgment on their copyright claim.

While finding for Petitioners on copyright liability, the district court reserved for trial the question of whether Petitioners could show damages proximately caused by the infringement. Pet. App. 116a. In a footnote, the district court

suggested that the amount of damages arising from the alleged infringement in December of 1981 may be affected by the 1982 copyright assignment by the named authors to the American College of Obstetricians and Gynecologists ("ACOG"). Pet. App. 111a, n.2. According to the district court, "[c]onceivably, Plaintiffs cannot claim profits or damages attributable to the infringement for the period of assignment of the copyright," which assignment by the named authors accompanied the June 1982 submission of the second manuscript to *Obstetrics and Gynecology*. *Id.* Moreover, the June 1982 submission (Manuscript B), the copyright for which is now registered with ACOG, contains the same figures and table that Cyanamid allegedly copied from the NEJ manuscript (Manuscript A), which figures and table are the sole basis for Petitioners' claim for copyright infringement damages.

On October 26, 1995, the district court, *inter alia*, denied Cyanamid's motion for reconsideration of the court's grant of summary judgment to Petitioners on their copyright claim. Pet. App. 73a.

2. *The Trial*

At the commencement of the trial, Petitioners contended that they were entitled to damages based on "the unlawful use of plaintiffs' copyrighted ideas." Fed. Cir. App. Vol. II, A3011. Petitioners eventually recognized that under Section 102 of the Copyright Act, ideas are not copyrightable, and modified their claim accordingly, but continued to seek damages under the Copyright Act of $ 44 million in the form of royalties on the reformulated product and $ 369 million to compensate them for Cyanamid's profits on the sale of the reformulated product from 1982 through 2001.

Petitioners, however, offered no proof that Cyanamid's sales from Materna® were attributable to the use of the copyrighted material in its patent application.

While the Petitioners attempted to argue that the copyright infringement caused the patent to issue and the patent allowed Cyanamid to market its product, they offered no evidence in that regard. Indeed, Cyanamid offered evidence to the contrary. Cyanamid demonstrated at trial, through the uncontroverted testimony of its expert witness Mr. Charles Van Horn, who had been employed by the U.S. Patent and Trademark Office for over thirty years, that the manner in which the uncopyrightable data was *depicted* in the figures and table in the patent application did not result in the issuance of the patent. Furthermore, Cyanamid argued that since a patent does not grant a right to sell a product, the issuance of the patent in 1984 did not result in Cyanamid's ability to sell its reformulated product, which sales Petitioners expressly authorized and even promoted.[5]

3. *The Memorandum Decision Dated July 7, 1997*

By its Memorandum Decision of July 7, 1997, the district court refused to award Petitioners either actual damages or Cyanamid's profits under the Copyright Act, finding that "[p]laintiffs' damage theory is problematic in the copyright context because it is the depiction of data, not the data itself, that is protected by the Act." Pet. App. 63a. The district court held that "[p]laintiffs are entitled only to those damages and profits attributable to copying the Figures and Table into

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5. Given that the patent did not issue until 1984, it is nonsensical to contend that sales prior to that date were due to the patent's issuance.

the patent application, not the reformulation depicted by them." *Id.* Recognizing the distinction between the copyright infringement and the patent, the district court noted that "[p]laintiffs made no effort at trial to distinguish between damages attributable to the infringement and those attributable to the Patent itself." *Id.*

The district court, however, awarded Petitioners damages of approximately forty-five million dollars ($45,000,000) on their claims against Cyanamid for fraudulent nondisclosure and unjust enrichment based on the finding that Drs. Allen and Seligman were the inventors of the Materna® reformulation under a state common law standard of inventorship. Pet. App. 53a-54a, n.2. The district court ruled that "[p]laintiffs are not required to establish inventorship or ownership under the patent statute to state a common law claim for fraud or unjust enrichment." *Id.* Indeed, the district court went on to assert that "a higher level of inventorship or ownership is required to state a claim for patent infringement," which "higher" standard it did not apply to this case. *Id.*

4. *Petitioners' Post-Trial Motion For Copyright Damages*

On July 17, 1997, Petitioners attempted through their Rule 52(b) motion to recover $ 313,844,462 in damages based on Cyanamid's net sales on the reformulated product from 1982 through 1995 under claims for both copyright infringement and unjust enrichment. By Order dated November 25, 1997, the district court denied Petitioners' motion, stating that "I have previously rejected plaintiffs' argument and see no basis to alter or amend my findings." Appendix 3a.

5. *Federal Circuit Appeal and Cross-Appeal*

Cyanamid argued on appeal to the Federal Circuit that the district court's finding of liability and award of damages required reversal because, *inter alia*, its common law inventorship determination under the purportedly lower standards of Colorado common law created a direct conflict between the federal patent laws and state common law. In light of the absence of an award of copyright infringement damages, Cyanamid did not appeal the district court's ruling of liability. Petitioners asserted a cross-appeal for, *inter alia*, the recovery of Cyanamid's net sales on the sale of reformulated Materna® from 1982 through 1995 as damages on their copyright infringement claim.

6. *Federal Circuit Decision*

On November 19, 1999, the Federal Circuit vacated the district court's judgment of liability for fraud and unjust enrichment and the award of damages in its entirety and remanded the case back to the district court to "apply federal patent law principles to determine whether the Doctors and/or Dr. Ellenbogen were inventors of the technology of the '634 patent." Pet. App. 11a, 18a. The Federal Circuit vacated the district court's common law inventorship determination based on the finding that "[t]he federal Patent Act leaves no room for states to supplement the national standard for inventorship" because "the field of federal patent law preempts any state law that purports to define rights based on inventorship." Pet. App. 10a. The Federal Circuit also noted various "errors in the district court's damages determination" for Petitioners' fraud and unjust enrichment claims. Pet. App. 12a.

In response to Petitioners' cross-appeal for copyright infringement damages, the Federal Circuit found no clear error in the district court's finding that Petitioners failed to establish any connection between Cyanamid's sales of reformulated Materna® and Cyanamid's copyright infringement, *i.e.*, Cyanamid's use of the four figures and table in its patent application. Pet. App. 17a-18a. Accordingly, the Federal Circuit affirmed the district court's order rejecting Petitioners' claim for copyright infringement damages under Section 504(b) of the Copyright Act.

7. *Petitioners' Motion for Entry of Judgment*

On January 7, 2000, immediately upon remand of this case back to the district court for a reevaluation of the inventorship issues, Petitioners moved under Federal Rule of Civil Procedure 58 for entry of judgment, requesting that the district court, *inter alia*, reinstate its earlier inventorship finding, reinstate its earlier $ 45 million damage award that accompanied said finding and award additional damages under state law and federal patent law theories. Cyanamid opposed Petitioners' motion, and argument was held in the district court on February 29, 2000. Petitioners' motion for entry of judgment remains pending before the district court.

REASONS FOR DENYING THE WRIT

According to Rule 10 of the Rules of the Supreme Court, "[a] petition for a writ of certiorari will be granted only for compelling reasons." While the Court might consider a conflict between a decision of a United States court of appeals with the decision of another United States court of appeals on the same important matter to be a compelling reason for certiorari, no such conflict exists in this case. Consistent with the holding in the Federal Circuit below, no court of appeals has allowed a copyright owner to recover profits under Section 504(b) of the

Copyright Act without first introducing evidence of the infringer's gross revenue that has some connection to the copyright infringement. The courts below found that Petitioners failed to establish any such connection, which failure of proof is not properly addressed in this Court: "A petition is rarely granted when the asserted error consists of erroneous factual findings or the misapplication of a properly stated rule of law." Rule 10 of the Rules of the Supreme Court.

I.

THE DECISIONS OF THE CIRCUIT COURTS OF APPEAL ARE NOT IN CONFLICT

> [I]t is very important that we be consistent in not granting the writ of certiorari except in cases involving principles the settlement of which is of importance to the public, as distinguished from that of the parties, and in cases where there is a real and embarrassing conflict of opinion and authority between the Circuit Courts of Appeals.

Layne v. Bowler Corp. v. Western Well Works, Inc., 261 U.S. 387, 393 (1923). The Petitioners claim that decisions in the D.C., Second, Fourth, Sixth, Eighth and Ninth Circuits are in conflict with the decision rendered below by the Federal Circuit, which decision, they argue, represents a "breach of heretofore circuit unanimity." Petition at 10, 12. Contrary to Petitioners' contention, the Federal Circuit decision does not create a conflict of opinion with the decisions of the other circuits.

As noted above, the Federal Circuit held that the Petitioners were not entitled to recover Cyanamid's gross revenue from the sales of its reformulated Materna® under

Section 504(b) of the Copyright Act, because they failed to satisfy the threshold burden of establishing that such revenue was connected to Cyanamid's copyright infringement, *i.e.*, Cyanamid's use of the four bar graphs and table in its patent application. Petitioners contend that "[o]n its face, § 504(b) requires the copyright owner to produce evidence of the infringer's gross revenue" without any need to show that such revenue was, in any way, connected to the copyright violation. Petition at 9.

The irrationality of the "facial reading" of Section 504(b) advanced by the Petitioners herein was cogently articulated by Judge Posner in the Seventh Circuit decision, *Taylor v. Meirick*, 712 F.2d 1112, 1122 (7th Cir. 1983). While Section 504(b) provides that "the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work," Judge Posner recognized that "all that means is that [the copyright owner] could have made out a prima facie case for an award of infringer's profits by showing [the infringer's] gross revenues from the sale of the infringing maps." *Id.* However,

> [i]t was not enough to show [the infringer's] gross revenues from the sale of everything he sold, which is all, really, that [the copyright owner] did. If General Motors were to steal your copyright and put it in a sales brochure, you could not just put a copy of General Motors' corporate income tax return in the record and rest your case for an award of infringer's profits.

Id. Yet, that is precisely the outcome Petitioners' "facial reading" of Section 504(b) would allow.

The proper reading of Section 504(b) construes "infringer's gross revenue" as the "gross revenue from the *sale* or *use* of the infringing work." William F. Patry, *Latman's The Copyright Law* 285 (6th ed. 1986) (emphasis added). Those circuits that have specifically considered this issue, including the Federal Circuit in this case, have accepted the need to link revenues with the act of infringement. This reading of Section 504(b) was expressly adopted by the Ninth Circuit in *Russell v. Price*:

> It is clear from a reading of the statute that the infringer's profits to which the copyright proprietor may be entitled consist of the gross receipts or sale profits *from* the infringing use of the plaintiff's work, which is the plaintiff's burden to establish, less any direct costs incurred by the defendant in connection with the unauthorized use, on which the latter party bears the burden of proof.

Russell v. Price, 612 F.2d 1123, 1130-31 (9th Cir. 1979) (footnote omitted). The instant action, however, does not involve the sale or commercial use of the copyrighted material, *i.e.*, the figures and table, or even the sale or commercial use of a product incorporating any copyrighted material.

Petitioners fail to cite a single case in which the gross revenue presented by the copyright holder bore no connection to the copyright violation, as in the instant case. To the contrary, in each case cited by the Petitioners as representing the view of the different circuits, the copyright infringement was inextricably integrated into the product or service that generated the gross revenue. A prime example is

Stenograph L.L.C. v. Bossard Associates, Inc., 144 F.3d 96, 98 (D.C. Cir. 1998), in which the infringer, a court reporting and litigation support service, improperly used the copyright holder's transcription software (which enables a court reporter to convert stenographic notes into English text), and the keys to such software, in the infringer's own business and sold the copyrighted material to others. Because the infringer's use of the copyrighted material permeated all aspects of its court reporting business, the copyright infringement was causally connected to the gross revenue of the business. That same principle applied in *Data General Corp. v. Grumman Systems Support Co.*, 36 F.3d 1147 (1st Cir. 1994), also cited by Petitioners. In *Data General*, the infringer's overall profits may have increased as a result of the commercial exploitation of copyrighted diagnostic software developed by plaintiff for use in MV computers, which software plaintiff's expert witness testified to be the "sine qua non of [defendant's] success in its chosen niche as a national vendor of MV service." *Id.* at 1172. In both these cases, the gross revenue of the infringer's business was directly linked to the copyright violation. Thus, once the copyright holder introduced evidence of gross revenue arising from the infringer's use of the copyrighted material, the burden properly shifted to the infringer to demonstrate, *inter alia*, deductible expenses. These cases have no application to the instant situation.

In other cases cited by the Petitioners, the gross revenue figure introduced by the copyright holder represented the sales of a product that incorporated either the plaintiff's entire copyrighted work or substantial aspects of that work. Hence, profits generated by the infringer's sale or commercial use of the product were in fact attributable to the infringement. *See, e.g., In Design v. K-Mart Apparel Corp.*, 13 F.3d 559, 563 (2d Cir. 1994) (gross revenue was based on the sale of

infringing sweater), *overruled by Fogerty v. Fantasy, Inc.*, 114 S. Ct. 1023 (1994) (on other grounds); *Johnson v. Jones*, 149 F.3d 494, 499 (6th Cir. 1998) (copyrighted architectural drawings were improperly used by another architect to build building for his client); *Saxon v. Blann*, 968 F.2d 676, 681 (8th Cir. 1992) (gross revenue was based on sale of infringing books). In contrast to these cases, Cyanamid did not sell the copyrighted material, *i.e.*, the bar graphs and chart, nor the patent application in which the copyrighted material was incorporated.

Thus, to the extent that the Federal Circuit required Petitioners to offer evidence of gross revenue that was in some way causally linked to the infringing activity, that decision was entirely consistent with the decisions of the other circuit courts of appeal that have addressed this issue and are relied upon by the Petitioners.

II.

SUPREME COURT REVIEW IS NOT APPROPRIATE WHERE THE LOWER COURT DECISIONS WERE BASED ON A FAILURE OF PROOF

Certiorari is not appropriate where the lower courts' decisions turned solely upon an analysis of the particular facts involved in the case. *See United States v. Johnston*, 268 U.S. 220, 227 (1925) ("We do not grant a certiorari to review evidence and discuss specific facts."). In this case, the Petitioners failed to demonstrate that Cyanamid's profits on its sales of the reformulated Materna® were attributable to the alleged copyright violation because: (1) the copyright violation, *i.e.*, the copying of the figures and table into the patent application, did not cause the issuance of the patent;

and (2) Cyanamid's right to sell Materna® did not depend on the issuance of the patent.

Petitioners did not, and could not, prove at trial that the manner in which Cyanamid chose to depict the unprotectable facts and data in the patent application (*i.e.*, through bar graphs and a table) resulted in the issuance of the patent. Indeed, the only evidence introduced on this point at trial was flatly to the contrary. Specifically, Cyanamid presented the testimony of an expert witness, Mr. Charles Van Horn, who worked for the Patent and Trademark Office ("PTO") for over thirty years as, *inter alia*, Deputy Assistant Commissioner for Patent Policy. The district court accepted Mr. Van Horn as an expert with respect to the practices and procedures of the PTO, including the interpretations of the law upon which such procedures are grounded. Fed. Cir. App. Vol. II, A5451. Mr. Van Horn concluded at trial that "the copyright infringement in this particular case could not have, should not have, and did not have any impact on the decision of the patent examiner to grant a patent on this application." Fed. Cir. App. Vol. II, A5463.

Furthermore, Mr. Van Horn, who began his career at the PTO as a patent examiner, testified that in determining whether the invention set forth in the patent application meets all the statutory requirements, the patent examiner evaluates the uncopyrightable data or results, without regard to the manner of their depiction:

> In the examination of the patent application, the examiner's concerned with the results, some of which are reported in this particular table and in the patent application, but really does not care how those facts are presented, in what form that

> information is presented. *It is the underlying facts, and not the presentation of those facts that is relevant* to the examination of a patent application.

Fed. Cir. App. Vol. II, A5464 (emphasis added). Mr. Van Horn's testimony stands unrebutted, as Petitioners failed to offer a shred of evidence that the issuance of Cyanamid's patent was in any way linked to the depiction of the reformulation data in the figures and table set forth in the patent application.

Wholly apart from the Petitioners' failure to demonstrate a link between the copyright violation and the issuance of the patent, the Petitioners did not, and as a matter of law could not, show that the patent provided Cyanamid with the right to sell its reformulated product. A patent is *not* a right to sell a product, but a right to exclude others from such sales. *See Studiengesellschaft Kohle mbH v. Northern Petroleum Co.*, 784 F.2d 351, 357 (Fed. Cir. 1986), Cyanamid's right to sell its Materna® multivitamin in either its original or reformulated form existed independent of the issuance of the patent.

For these reasons, Cyanamid's revenues from the sales of Materna® have no relationship to the alleged copyright infringement and cannot form the basis for copyright damages in this case. More importantly, because the ruling Petitioners seek to have reviewed is entirely dependent on case specific facts, granting the Petition for a Writ of Certiorari is not warranted.

CONCLUSION

The Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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APPENDIX

APPENDIX

ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO DATED AND FILED NOVEMBER 25, 1997

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 93-K-1657

UNIVERSITY OF COLORADO FOUNDATION, INC., a Colorado not-for-profit corporation, THE UNIVERSITY OF COLORADO, an institution of the State of Colorado, THE BOARD OF REGENTS OF THE UNIVERSITY OF COLORADO, a body corporate of the State of Colorado, ROBERT H. ALLEN, an individual, and PAUL A. SELIGMAN, an individual,

Plaintiffs,

v.

AMERICAN CYANAMID COMPANY,
a Maine corporation,

Defendant.

ORDER

Kane, J.

The Clerk of the Court entered judgment against Cyanamid pursuant to this court's Memorandum Decision on July 8, 1997. *See University of Colorado Found., Inc. v. American Cyanamid Co.*, 974 F. Supp. 1339 (D. Colo. 1997).

Since then, Plaintiffs filed a Rule 52(b) Motion to Amend Findings of Fact and Law and to Make Additional Findings as well as a Motion for Attorney Fees. While these motions were pending, Defendant filed an appeal of the Memorandum Decision with the Federal Circuit Court of Appeals. The appeal was deactivated in September pending resolution of the Rule 52 motion.

The parties have stipulated to the amount of taxable costs. The matter is now before me on Plaintiffs' motions to amend and for fees. I deny both motions.

Plaintiffs' Rule 52(b) motion seeks an amendment of findings to provide for an award of damages for Plaintiffs' copyright infringement claim. I found during the course of the summary judgment proceedings in this case that Plaintiffs had established a claim for copyright infringement but left the question of whether Plaintiffs would be entitled to damages on that claim for trial. After hearing all of the evidence, I declined to award Plaintiffs copyright infringement damages. Reminding the parties that the Copyright Act protects the depiction of data, not the data itself, I found Plaintiffs had failed to distinguish between damages attributable to the copying of the reformulation and damages reflecting the lost value of the reformulation.

Plaintiffs in the instant motion continue to ignore the distinction and maintain the proper measure of damages on their copyright infringement claim is the profits Cyanamid earned on its post-patent Materna sales. Plaintiffs then attribute their inability to prove the amount of lost profits to Cyanamid's refusal during discovery to provide them with

gross profits information. Given Cyanamid's refusal, Plaintiffs urge me to amend my Memorandum Decision to adopt the "conservative" gross profit estimate of their expert Mr. Damson, which was 70% of Cyanamid's domestic net sales from 1982 through 1995.

I have previously rejected Plaintiffs' argument and see no basis to alter or amend my findings. Further, the damages analysis adopted and applied in my Memorandum Decision on Plaintiffs' fraud and unjust enrichment claims compensated Plaintiffs for the fraud of Dr. Ellenbogen and Cyanamid and made Plaintiffs whole. With the additional award of punitive damages to Drs. Allen and Seligman, nothing more is contemplated under the Copyright Act.

Upon review of the parties' briefs on the issue of attorney fees, I deny Plaintiffs' request for fees. Cyanamid's defenses were neither substantively baseless nor vexatious. The other grounds offered by Plaintiffs as justification for an award of fees — Dr. Ellenbogen's "duplicitous testimony" and the allegedly bad faith manner in which Cyanamid defended this action — were addressed in my Memorandum Decision and are adequately reflected in the award of punitive damages. Accordingly,

IT IS ORDERED that Plaintiffs' Rule 52(b) Motion to Amend Findings of Fact and Law and to Make Additional Findings and Request for Oral argument is DENIED. IT IS FURTHER ORDERED that Plaintiffs' Motion for Attorney Fees is DENIED.

Dated this 25 day of November, 1997, at Denver, Colorado.

s/ John L. Kane, Jr.
JOHN L. KANE, JR.
U.S. SENIOR DISTRICT COURT
JUDGE